

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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SENATE BILL 548\*

Short Title: Medicaid Changes for Transformation. (Public)

Sponsors: Senators Krawiec and Bishop (Primary Sponsors).

Referred to: Rules and Operations of the Senate

April 3, 2019

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE LAWS PERTAINING TO MEDICAID AND NC HEALTH  
3 CHOICE AS NEEDED FOR THE IMPLEMENTATION OF MEDICAID  
4 TRANSFORMATION.

5 The General Assembly of North Carolina enacts:

6 SECTION 1.(a) Chapter 108D of the General Statutes reads as rewritten:

7 "Chapter 108D.

8 "Medicaid and NC Health Choice Managed Care for Behavioral Health Services.  
9 Programs.

10 "Article 1.

11 "General Provisions.

12 "§ 108D-1. Definitions.

13 The following definitions apply in this Chapter, unless the context clearly requires otherwise:

14 (1) Adverse benefit determination. – As defined in 42 C.F.R. § 438.400(b). In  
15 accordance with 42 C.F.R. § 457.1260, this definition applies to NC Health  
16 Choice beneficiaries in the same manner as it applies to Medicaid  
17 beneficiaries.

18 (1a) Adverse disenrollment determination. – A determination by the Department  
19 of Health and Human Services or the enrollment broker to (i) deny a request  
20 made by an enrollee, or the enrollee's authorized representative, to disenroll  
21 from a prepaid health plan or (ii) approve a request made by a prepaid health  
22 plan to disenroll an enrollee from a prepaid health plan.

23 (1b) Applicant. – A provider of mental health, intellectual or developmental  
24 disabilities, and substance abuse services who is seeking to participate in the  
25 closed network of one or more local management entity/managed care  
26 organizations or prepaid health plans.

27 (1c) Beneficiary. – A person to whom or on whose behalf medical assistance or  
28 assistance through the North Carolina Health Choice for Children program is  
29 granted under Article 2 of Chapter 108A of the General Statutes.

30 (1d) Behavioral Health and Individuals with Developmental Disabilities Tailored  
31 Plan or BH IDD Tailored Plan. – A capitated prepaid health plan contract  
32 under the Medicaid transformation demonstration waiver that meets all of the  
33 requirements of Article 4 of this Chapter, including the requirements  
34 pertaining to BH IDD Tailored Plans.

35 (2) Closed network. – The network of providers that have contracted with a local  
36 management entity/managed care organization to furnish mental health,



- 1 intellectual or developmental disabilities, and substance abuse services to  
2 enrollees.
- 3 (3) ~~Contested case hearing. – The hearing or hearings conducted at the Office of~~  
4 ~~Administrative Hearings under G.S. 108D-15 to resolve a dispute between an~~  
5 ~~enrollee and a local management entity/managed care organization about a~~  
6 ~~managed care action.~~G.S. 108D-5.5 or G.S. 108D-15.
- 7 (4) Department. – The North Carolina Department of Health and Human  
8 Services.
- 9 (5) Emergency medical condition. – As defined in 42 C.F.R. § 438.114.
- 10 (6) Emergency services. – As defined in 42 C.F.R. § 438.114.
- 11 (7) Enrollee. – A Medicaid or NC Health Choice beneficiary who is currently  
12 enrolled with a local management entity/managed care  
13 ~~organization.~~organization or a prepaid health plan.
- 14 (7a) Enrollment broker. – As defined in 42 C.F.R. § 438.810(a).
- 15 (7b) Fee-for-service program. – A payment model for the Medicaid and NC Health  
16 Choice programs operated by the Department of Health and Human Services  
17 pursuant to its authority under Part 6 and Part 8 of Article 2 of Chapter 108A  
18 of the General Statutes in which the Department pays enrolled providers for  
19 services provided to Medicaid and NC Health Choice beneficiaries rather than  
20 contracting for the coverage of services through a capitated payment  
21 arrangement.
- 22 (8) Local Management Entity or LME. – As defined in  
23 ~~G.S. 122C-3(20b).~~G.S. 122C-3.
- 24 (9) Local Management Entity/Managed Care Organization or LME/MCO. – As  
25 defined in ~~G.S. 122C-3(20e).~~G.S. 122C-3.
- 26 (10) ~~Managed care action. – An action, as defined in 42 C.F.R. § 438.400(b).~~
- 27 (10a) Mail. – United States mail or, if the enrollee or the enrollee's authorized  
28 representative has given written consent to receive electronic  
29 communications, electronic mail.
- 30 (10b) Managed care entity. – A local management entity/managed care organization  
31 or a prepaid health plan.
- 32 (11) ~~Managed Care Organization or MCO. – As defined in 42 C.F.R. § 438.2.~~
- 33 (11b) Medicaid transformation demonstration waiver. – The waiver agreement  
34 entered into between the State and the Centers for Medicare and Medicaid  
35 Services under Section 1115 of the Social Security Act for the transition to  
36 prepaid health plans.
- 37 (12) Mental health, intellectual or developmental disabilities, and substance abuse  
38 services or MH/IDD/SA services. – Those mental health, intellectual or  
39 developmental disabilities, and substance abuse services covered by a local  
40 management entity/managed care organization under a contract ~~in effect~~  
41 ~~between~~with the Department of Health and Human Services ~~and a local~~  
42 ~~management entity~~ to operate a ~~managed care organization or prepaid~~  
43 ~~inpatient health plan (PIHP) under the 1915(b)/(c) Medicaid Waiver approved~~  
44 ~~by the federal Centers for Medicare and Medicaid Services (CMS).~~the  
45 combined Medicaid waiver program authorized under Section 1915(b) and  
46 Section 1915(c) of the Social Security Act.
- 47 (13) Network provider. – An appropriately credentialed provider ~~of mental health,~~  
48 ~~intellectual or developmental disabilities, and substance abuse services~~ that  
49 has entered into a contract for participation in the ~~closed~~-network of one or  
50 more local management entity/managed care ~~organizations.~~organizations or  
51 prepaid health plans.

- 1 (14) Notice of ~~managed care action~~, adverse benefit determination. – The notice  
2 required by 42 C.F.R. § 438.404.
- 3 ~~(15) Notice of resolution. – The notice described in 42 C.F.R. § 438.408(e).~~
- 4 (16) OAH. – The North Carolina Office of Administrative Hearings.
- 5 (16a) Prepaid health plan or PHP. – A prepaid health plan, as defined in  
6 G.S. 58-93-5, or a local management entity/managed care organization  
7 operating a BH IDD Tailored Plan.
- 8 ~~(17) Prepaid Inpatient Health Plan or PIHP. – As defined in 42 C.F.R. § 438.2.~~
- 9 (17a) Provider. – As defined in G.S. 108C-2.
- 10 (18) Provider of emergency services. – A provider that is qualified to furnish  
11 emergency services to evaluate or stabilize an enrollee's emergency medical  
12 condition.
- 13 (19) Standard plan. – A capitated prepaid health plan contract under the Medicaid  
14 transformation demonstration waiver that meets all of the requirements of  
15 Article 4 of this Chapter except for the requirements pertaining to BH IDD  
16 Tailored Plan.

17 **"§ 108D-2. Scope; applicability of this Chapter.**

18 This Chapter applies to every ~~LME/MCO and to every managed care entity~~, applicant,  
19 enrollee, provider of emergency services, and network provider of ~~an LME/MCO~~ a managed care  
20 entity. This Chapter does not apply to Medicaid or NC Health Choice services delivered through  
21 the fee-for-service program. Nothing in this Chapter shall be construed to grant a NC Health  
22 Choice beneficiary benefits in excess of what is required by G.S. 108A-70.21.

23 **"§ 108D-3. Conflicts; severability.**

24 (a) To the extent that this Chapter conflicts with the Social Security Act or 42 C.F.R. ~~Part~~  
25 ~~438, Parts 438 and 457, federal law prevails.~~ prevails, except when the applicability of federal  
26 law or rules have been waived by agreement between the State and the U.S. Department of Health  
27 and Human Services.

28 (b) To the extent that this Chapter conflicts with any other provision of State law that is  
29 contrary to the principles of managed care that will ensure successful containment of costs for  
30 ~~behavioral~~ health care services, this Chapter prevails and applies.

31 (c) If any section, term, or provision of this Chapter is adjudged invalid for any reason,  
32 these judgments shall not affect, impair, or invalidate any other section, term, or provision of this  
33 Chapter, but the remaining sections, terms, and provisions shall be and remain in full force and  
34 effect.

35 "Article 1A.

36 "Disenrollment from Prepaid Health Plans.

37 **"§ 108D-5.1. General provisions.**

38 (a) Nothing in this Article shall be construed to limit or prevent the Department from  
39 disenrolling, from a PHP, an enrollee who (i) is no longer eligible to receive services through the  
40 Medicaid or NC Health Choice programs or (ii) becomes a member of a population of  
41 beneficiaries that is not required to enroll in a PHP under State law.

42 (b) Nothing in this Article shall be construed to exclude a Medicaid or NC Health Choice  
43 beneficiary who is otherwise required by State law to enroll in a PHP from enrolling in a PHP,  
44 or to prevent a beneficiary who is otherwise exempted from enrollment in a PHP from  
45 disenrolling from a PHP and receiving services through the fee-for-service program.

46 **"§ 108D-5.2. Enrollee requests for disenrollment.**

47 (a) In General. – An enrollee, or the enrollee's authorized representative, who is  
48 requesting disenrollment from a PHP, shall submit an oral or written request for disenrollment to  
49 the enrollment broker.

1       **(b) Without Cause Enrollee Requests or Disenrollment.** – An enrollee shall be allowed to  
2 disenroll from the PHP without cause only during the times specified in 42 C.F.R. § 438.56(c)(2),  
3 except that enrollees who are in any of the following groups may disenroll at any time:

- 4           (1) Members of federally recognized tribes.
- 5           (2) Beneficiaries who are enrolled in the foster care system.
- 6           (3) Beneficiaries who are in the former foster care Medicaid eligibility category.
- 7           (4) Beneficiaries who receive Title IV-E adoption assistance.
- 8           (5) Beneficiaries under the age of 26 who formerly received Title IV-E adoption  
9 assistance.
- 10          (6) Beneficiaries who are receiving long-term services and supports in  
11 institutional or community-based settings.
- 12          (7) Any other beneficiaries who are not required to enroll in a PHP under State  
13 law.

14       **(c) With Cause Enrollee Requests for Disenrollment.** – An enrollee, or the enrollee's  
15 authorized representative, may submit a request to disenroll from a PHP for cause at any time.  
16 For cause reasons for disenrollment from a PHP include the following:

- 17           (1) The enrollee moves out of the PHP's service area.
- 18           (2) The PHP, because of the PHP's moral or religious objections, does not cover  
19 a service the enrollee seeks.
- 20           (3) The enrollee needs concurrent, related services that are not all available within  
21 the PHP's network and the enrollee's provider determines that receiving  
22 services separately would subject the enrollee to unnecessary risk.
- 23           (4) An enrollee who receives long-term services and supports will be required to  
24 change residential, institutional, or employment supports providers due to the  
25 enrollee's provider's change from in-network to out-of-network status with the  
26 PHP and, as a result, the enrollee would experience a disruption in residence  
27 or employment.
- 28           (5) The enrollee's complex medical conditions could be better served under a  
29 different PHP. For purposes of this subsection, an enrollee is considered to  
30 have a complex medical condition if the enrollee has a condition that could  
31 seriously jeopardize the enrollee's life or health or ability to attain, maintain,  
32 or regain maximum function.
- 33           (6) A family member of the enrollee becomes, or is determined, eligible for  
34 Medicaid or NC Health Choice and the family member is, or becomes,  
35 enrolled in a different PHP.
- 36           (7) Poor performance by the PHP, as determined by the Department. The  
37 Department shall not make a determination of poor performance by any PHP  
38 until the Department has completed an annual PHP performance evaluation  
39 following the first year of that PHP's contract.
- 40           (8) Poor quality of care, lack of access to services covered under the PHP's  
41 contract, lack of access to providers experienced in addressing the enrollee's  
42 health care needs, or any other reasons established by the Department in the  
43 PHP's contract or in rule.

44       **(d) Expedited Enrollee Requests for Disenrollment.** – An enrollee, or the enrollee's  
45 authorized representative, may submit an expedited request for disenrollment to the enrollment  
46 broker when the enrollee has an urgent medical need that requires disenrollment from the PHP.  
47 For purposes of this subsection, an urgent medical need means that continued enrollment in the  
48 PHP could jeopardize the enrollee's life, health, or ability to attain, maintain, or regain maximum  
49 function.

50 **"§ 108D-5.3. PHP requests for disenrollment.**

1       (a) In General. – A PHP requesting disenrollment of an enrollee from the PHP shall  
2 submit a written request for disenrollment to the enrollment broker.

3       (b) Limitations on PHP Requests for Disenrollment. – A PHP shall not request  
4 disenrollment of an enrollee from the PHP for any reason prohibited by 42 C.F.R. § 438.56(b)(2).  
5 A PHP may request disenrollment of an enrollee only when both of the following criteria are  
6 met:

7           (1) The enrollee's behavior seriously hinders the PHP's ability to care for the  
8 enrollee or other enrollees of the PHP.

9           (2) The PHP has documented efforts to resolve the issues that form the basis of  
10 the request for disenrollment of the enrollee.

11 **"§ 108D-5.4. Notices.**

12       (a) Notices of Resolution. – For each disenrollment request by an enrollee or a PHP, the  
13 Department shall issue a written notice of resolution approving or denying the request by mail to  
14 the enrollee before the first day of the second month following the month in which the enrollee  
15 or PHP requested disenrollment. For expedited enrollee requests for disenrollment made under  
16 G.S. 108D-5.2(d), the Department shall issue the written notice of resolution approving or  
17 denying the expedited request within three calendar days of receipt of the request. In the same  
18 mailing as the notice, the Department shall also provide the enrollee with an appeal request form  
19 that includes all of the following:

20           (1) A statement that in order to request an appeal, the enrollee must file the form  
21 in accordance with OAH rules, by mail or fax to the address or fax number  
22 listed on the form, no later than 30 days after the mailing date of the notice of  
23 resolution.

24           (2) The enrollee's name, address, telephone number, and Medicaid or NC Health  
25 Choice identification number.

26           (3) A preprinted statement that indicates that the enrollee would like to appeal the  
27 specific adverse disenrollment determination identified in the notice of  
28 resolution.

29           (4) A statement informing the enrollee of the right to be represented at the  
30 contested case hearing by a lawyer, a relative, a friend, or other spokesperson.

31           (5) A space for the enrollee's signature and date.

32       (b) Notices Pertaining to Expedited Enrollee Request for Disenrollment. – If the  
33 Department determines that an enrollee's request for disenrollment does not meet the criteria for  
34 an expedited request, the Department shall do the following:

35           (1) No later than three calendar days after receiving the enrollee's request for  
36 disenrollment, make reasonable efforts to give the enrollee and all other  
37 affected parties oral notice of the denial and follow up with a written notice of  
38 the determination by mail.

39           (2) Issue the notice of resolution within the time limits established for standard  
40 disenrollment requests under subsection (a) of this section.

41 **"§ 108D-5.5. Appeals of adverse disenrollment determinations.**

42       (a) Appeals. – An enrollee, or the enrollee's authorized representative, who is dissatisfied  
43 with an adverse disenrollment determination may file an appeal for a hearing with the Office of  
44 Administrative Hearings within 30 calendar days of the date on the notice of resolution. A request  
45 for a hearing to appeal an adverse disenrollment determination of the Department under this  
46 section is a contested case subject to the provisions of Article 3 of Chapter 150B of the General  
47 Statutes. The appeal shall be conducted in accordance with the procedures in Part 6A of Article  
48 2 of Chapter 108A of the General Statutes.

49       (b) Parties. – The Department shall be the respondent for purposes of appeals under this  
50 section.

51 "Article 2.

"Enrollee Grievances and Appeals.

**"§ 108D-11. LME/MCO-Managed care entity grievance and appeal procedures, generally.**

(a) Each LME/MCO-managed care entity shall establish and maintain internal grievance and appeal procedures that (i) comply with the Social Security Act and 42 C.F.R. Part 438, Subpart F, and (ii) ~~afford enrollees, and network providers authorized in writing to act on behalf of enrollees, enrollees and their authorized representatives~~ afford enrollees and their authorized representatives constitutional rights to due process and a fair hearing.

(b) ~~Enrollees, or network providers authorized in writing to act on behalf of enrollees, An enrollee, or the enrollee's authorized representative,~~ An enrollee, or the enrollee's authorized representative, may file ~~requests for grievances~~ grievances and LME/MCO-managed care entity level appeals orally or in writing. However, unless the ~~enrollee or network provider enrollee, or the enrollee's authorized representative,~~ enrollee or network provider enrollee, or the enrollee's authorized representative, requests an expedited appeal, the oral ~~filing appeal~~ appeal must be followed by a written, signed ~~grievance or appeal.~~

(c) ~~An LME/MCO A managed care entity~~ An LME/MCO A managed care entity shall not attempt to influence, limit, or interfere with an enrollee's right or decision to file a grievance, request for an LME/MCO-managed care entity level appeal, or a contested case hearing. However, nothing in this Chapter shall be construed to prevent ~~an LME/MCO a managed care entity~~ an LME/MCO a managed care entity from doing any of the following:

- (1) Offering an enrollee alternative services.
- (2) Engaging in clinical or educational discussions with enrollees or providers.
- (3) Engaging in informal attempts to resolve enrollee concerns prior to the issuance of a notice of grievance disposition or notice of resolution.

(d) ~~An LME/MCO A managed care entity~~ An LME/MCO A managed care entity shall not take punitive action against a provider for any of the following:

- (1) Filing a grievance on behalf of an enrollee or supporting an enrollee's grievance.
- (2) Requesting ~~an LME/MCO a managed care entity~~ an LME/MCO a managed care entity level appeal on behalf of an enrollee or supporting an enrollee's request for ~~an LME/MCO a managed care entity~~ an LME/MCO a managed care entity level appeal.
- (3) Requesting an expedited LME/MCO-managed care entity level appeal on behalf of an enrollee or supporting an enrollee's request for ~~an LME/MCO a managed care entity~~ an LME/MCO a managed care entity level expedited appeal.
- (4) Requesting a contested case hearing on behalf of an enrollee or supporting an enrollee's request for a contested case hearing.

(e) The appeal procedures set forth in this Article shall not apply to instances in which the sole basis for the managed care entity's decision is a provision in the State Plan or in federal or State law requiring an automatic change adversely affecting some or all beneficiaries.

**"§ 108D-12. LME/MCO-Managed care entity grievances.**

(a) Filing of Grievance. – ~~An enrollee, or a network provider authorized in writing to act on behalf of an enrollee, or the enrollee's authorized representative,~~ An enrollee, or the enrollee's authorized representative, has the right to file a grievance with ~~an LME/MCO a managed care entity~~ an LME/MCO a managed care entity at any time to express dissatisfaction about any matter other than ~~a managed care action, an adverse benefit determination.~~ a managed care action, an adverse benefit determination. Upon receipt of a grievance, ~~an LME/MCO a managed care entity~~ an LME/MCO a managed care entity shall cause a written acknowledgment of receipt of the grievance to be sent by ~~United States~~ United States-mail.

(b) Notice of Grievance Disposition. – The LME/MCO-managed care entity shall resolve the grievance and cause a notice of grievance ~~disposition~~ resolution to be sent by ~~United States~~ United States mail to the enrollee and all other affected parties as expeditiously as the enrollee's health condition requires, but no later than ~~90~~ 30 days after receipt of the ~~grievance~~ grievance, provided that the managed care entity may extend such time frame to the extent permitted under 42 C.F.R. § 438.408(c).

(c) Right to ~~LME/MCO Level~~ LME/MCO Level Appeal. – There is no right to appeal the resolution of a grievance to OAH or any other forum.

**"§ 108D-13. Standard LME/MCO-managed care entity level appeals.**

1 (a) Notice of ~~Managed Care Action~~-Adverse Benefit Determination. – ~~An LME/MCO-A~~  
2 managed care entity shall provide an enrollee with a written notice of a ~~managed care action-an~~  
3 adverse benefit determination by ~~United States~~-mail as required under 42 C.F.R. § 438.404. The  
4 notice of ~~action~~-will employ a standardized form included as a provision in the ~~contracts~~-contract  
5 between the ~~LME/MCOs~~-managed care entity and the ~~Department of Health and Human~~  
6 Services-Department.

7 (b) Request for Appeal. – An enrollee, or a ~~network provider authorized in writing to act~~  
8 on behalf of the enrollee, ~~the enrollee's authorized representative~~, has the right to file a request  
9 for an ~~LME/MCO-a managed care entity~~ level appeal of a notice of ~~managed care action~~-adverse  
10 benefit determination no later than ~~30-60~~ days after the mailing date of the ~~grievance disposition~~  
11 or notice of managed care action-adverse benefit determination. Upon receipt of a request for an  
12 ~~LME/MCO-a managed care entity~~ level appeal, an ~~LME/MCO-a managed care entity~~ shall  
13 acknowledge receipt of the request for appeal in writing by ~~United States~~-mail.

14 (c) Continuation of Benefits. – ~~An LME/MCO-A managed care entity~~ shall continue or  
15 reinstate the enrollee's benefits of a Medicaid enrollee during the pendency of an ~~LME/MCO-a~~  
16 managed care entity level appeal to the same extent required under ~~42 C.F.R. § 438.420. 42~~  
17 C.F.R. § 438.420 and subsection (c1) of this section. In accordance with 42 C.F.R. § 457.1260,  
18 NC Health Choice enrollees shall not be entitled to continuation or reinstatement of benefits.

19 (c1) Reinstatement of Benefits for PHP Enrollees. – A PHP shall reinstate the benefits of  
20 a Medicaid enrollee if all of the following occur:

21 (1) The Medicaid enrollee, or the enrollee's authorized representative, files the  
22 appeal within the required time frames.

23 (2) The Medicaid enrollee, or the enrollee's authorized representative, files for  
24 continuation of benefits within 30 calendar days of the mailing date of the  
25 notice of adverse benefit determination, except that a request for continuation  
26 of benefits filed by a provider does not meet the requirement of this  
27 subdivision, in accordance with 42 C.F.R. § 438.402(c)(ii).

28 (3) The appeal involves the termination, suspension, or reduction of a previously  
29 authorized service.

30 (4) The service was ordered by an authorized provider.

31 (d) Notice of Resolution. – The ~~LME/MCO~~-managed care entity shall resolve the appeal  
32 as expeditiously as the enrollee's health condition requires, but no later than ~~45-30~~ days after  
33 receiving the request for ~~appeal~~-appeal, provided that the managed care entity may extend such  
34 time frame as permitted under 42 C.F.R. § 438.408. The ~~LME/MCO~~-managed care entity shall  
35 provide the enrollee and all other affected parties with a written notice of resolution by ~~United~~  
36 States-mail within this ~~45-day~~-30-day period.

37 (e) Right to Request Contested Case Hearing. – An enrollee, or a ~~network provider~~  
38 authorized in writing to act on behalf of an enrollee, ~~the enrollee's authorized representative~~, may  
39 file a request for a contested case hearing under G.S. 108D-15 as long as (i) ~~the enrollee~~-enrollee,  
40 or ~~network provider~~-the enrollee's authorized representative, has exhausted the appeal procedures  
41 described in this section or ~~G.S. 108D-14~~-G.S. 108D-14 or (ii) the enrollee has been deemed,  
42 under 42 C.F.R. § 438.408(c)(3), to have exhausted the managed care entity level appeals  
43 process.

44 (f) Request Form for Contested Case Hearing. – In the same mailing as the notice of  
45 resolution, the ~~LME/MCO~~-managed care entity shall also provide the enrollee with an appeal  
46 request form for a contested case hearing that meets the requirements of G.S. 108D-15(f).

47 "**§ 108D-14. Expedited LME/MCO-managed care entity level appeals.**

48 (a) Request for Expedited Appeal. – When the time limits for completing a standard  
49 appeal could seriously jeopardize the enrollee's life or health or ability to attain, maintain, or  
50 regain maximum function, an enrollee, or a ~~network provider authorized in writing to act on~~  
51 behalf of an enrollee, the enrollee's authorized representative, has the right to file a request for

1 an expedited appeal of a ~~managed care action~~ an adverse benefit determination no later than 30  
2 60 days after the mailing date of the notice of ~~managed care action~~ adverse benefit determination.  
3 For expedited appeal requests made by ~~enrollees~~, an enrollee, or the enrollee's authorized  
4 representative, the ~~LME/MCO managed care entity~~ shall determine if the enrollee qualifies for  
5 an expedited appeal. For expedited appeal requests made by ~~network providers on behalf of~~  
6 ~~enrollees~~, a network provider as an enrollee's authorized representative, the ~~LME/MCO managed~~  
7 care entity shall presume an expedited appeal is necessary.

8 (b) Notice of Denial for Expedited Appeal. – If the ~~LME/MCO managed care entity~~  
9 denies a request for an expedited LME/MCO managed care entity level appeal, the ~~LME/MCO~~  
10 managed care entity shall make reasonable efforts to give the enrollee and all other affected  
11 parties oral notice of the denial and follow up with a written notice of denial by United States  
12 mail ~~by no later than two calendar days~~ 72 hours after receiving the request for an expedited  
13 appeal. In addition, the ~~LME/MCO managed care entity~~ shall resolve the appeal within the time  
14 limits established for standard ~~LME/MCO managed care entity~~ level appeals in G.S. 108D-13.

15 (c) Continuation of Benefits. – ~~An LME/MCO~~ A managed care entity shall continue or  
16 reinstate the enrollee's benefits of a Medicaid enrollee during the pendency of an expedited  
17 ~~LME/MCO managed care entity~~ level appeal to the extent required under 42 C.F.R. § 438.420.  
18 42 C.F.R. § 438.420 and subsection (c1) of this section. In accordance with 42 C.F.R. § 457.1260,  
19 NC Health Choice enrollees shall not be entitled to continuation or reinstatement of benefits.

20 (c1) Reinstatement of Benefits for PHP Enrollees. – A PHP shall reinstate the benefits of  
21 a Medicaid enrollee who is a Medicaid beneficiary in accordance with G.S. 108D-13(c1).

22 (d) Notice of Resolution. – If the ~~LME/MCO managed care entity~~ grants a request for an  
23 expedited ~~LME/MCO managed care entity~~ level appeal, the ~~LME/MCO managed care entity~~  
24 shall resolve the appeal as expeditiously as the enrollee's health condition requires, and no later  
25 than ~~three working days~~ 72 hours after receiving the request for an expedited ~~appeal~~ appeal,  
26 provided that the managed care entity may extend such time frame as permitted under 42 C.F.R.  
27 § 438.408. The LME/MCO managed care entity shall provide the enrollee and all other affected  
28 parties with a written notice of resolution by United States mail within this three day 72-hour  
29 period.

30 (e) Right to Request Contested Case Hearing. – An enrollee, or ~~a network provider~~  
31 authorized in writing to act on behalf of an enrollee, the enrollee's authorized representative, may  
32 file a request for a contested case hearing under G.S. 108D-15 as long as (i) the enrollee ~~enrollee~~,  
33 or network provider ~~the enrollee's authorized representative~~, has exhausted the appeal procedures  
34 described in G.S. 108D-13 or this ~~section~~ section or (ii) the enrollee has been deemed, under 42  
35 C.F.R. § 438.408(c)(3), to have exhausted the managed care entity level appeals process.

36 (f) Reasonable Assistance. – ~~An LME/MCO~~ A managed care entity shall provide the  
37 enrollee with reasonable assistance in completing forms and taking other procedural steps  
38 necessary to file an appeal, including providing interpreter services and toll-free numbers that  
39 have adequate teletypewriter/telecommunications devices for the deaf (TTY/TDD) and  
40 interpreter capability.

41 (g) Request Form for Contested Case Hearing. – In the same mailing as the notice of  
42 resolution, the ~~LME/MCO managed care entity~~ shall also provide the enrollee with an appeal  
43 request form for a contested case hearing that meets the requirements of G.S. 108D-15(f).

44 **"§ 108D-15. Contested case hearings on disputed ~~managed care actions~~ adverse benefit**  
45 **determinations.**

46 (a) Jurisdiction of the Office of Administrative Hearings. – The Office of Administrative  
47 Hearings does not have jurisdiction over a dispute concerning ~~a managed care action~~, an adverse  
48 benefit determination, except as expressly set forth in this Chapter.

49 (b) Exclusive Administrative Remedy. – Notwithstanding any provision of State law or  
50 rules to the contrary, this section is the exclusive method for an enrollee to contest a notice of  
51 resolution of an adverse benefit determination issued by ~~an LME/MCO~~ a managed care entity.



1 G.S. 108A-70.9A, 108A-70.9B, and 108A-70.9C do not apply to enrollees contesting ~~a managed~~  
2 ~~care action~~an adverse benefit determination.

3 (c) Request for Contested Case Hearing. – A request for an administrative hearing to  
4 appeal a notice of resolution of an adverse benefit determination issued by ~~an LME/MCO a~~  
5 ~~managed care entity~~ is a contested case subject to the provisions of Article 3 of Chapter 150B of  
6 the General Statutes. An enrollee, or ~~a network provider authorized in writing to act on behalf of~~  
7 ~~an enrollee~~, the enrollee's authorized representative, has the right to file a request for appeal to  
8 contest a notice of resolution as long as (i) ~~the enrollee-enrollee, or network provider~~ the enrollee's  
9 authorized representative, has exhausted the appeal procedures described in G.S. 108D-13 or  
10 ~~G.S. 108D-14~~G.S. 108D-14 or (ii) the enrollee has been deemed, under 42 C.F.R. §  
11 438.408(c)(3), to have exhausted the managed care entity level appeals process.

12 (d) Filing Procedure. – An enrollee, or ~~a network provider authorized in writing to act on~~  
13 ~~behalf of an enrollee~~, the enrollee's authorized representative, may file a request for an appeal by  
14 sending an appeal request form that meets the requirements of subsection (e) of this section to  
15 OAH and the affected ~~LME/MCO managed care entity~~ by no later than ~~30-120~~ days after the  
16 mailing date of the notice of resolution. A request for appeal is deemed filed when a completed  
17 and signed appeal request form has been both submitted into the care and custody of the chief  
18 hearings clerk of OAH and accepted by the chief hearings clerk. Upon receipt of a timely filed  
19 appeal request form, information contained in the notice of resolution is no longer confidential,  
20 and the ~~LME/MCO managed care entity~~ shall immediately forward a copy of the notice of  
21 resolution to OAH electronically. OAH may dispose of these records after one year.

22 (e) Parties. – The ~~LME/MCO managed care entity~~ shall be the respondent for purposes  
23 of this appeal. The ~~LME/MCO or enrollee managed care entity, the enrollee, or the enrollee's~~  
24 authorized representative may move for the permissive joinder of the Department under Rule 20  
25 of the North Carolina Rules of Civil Procedure. The Department may move to intervene as a  
26 necessary party under Rules 19 and 24 of the North Carolina Rules of Civil Procedure.

27 (f) Appeal Request Form. – In the same mailing as the notice of resolution, the  
28 ~~LME/MCO managed care entity~~ shall also provide the enrollee with an appeal request form for  
29 a contested case hearing which shall be no more than one side of one page. The form shall include  
30 at least all of the following:

- 31 (1) A statement that in order to request an appeal, the enrollee must file the form  
32 in accordance with OAH rules, by mail or fax to the address or fax number  
33 listed on the form, ~~by no later than 30-120~~ days after the mailing date of the  
34 notice of resolution.
- 35 (2) The enrollee's name, address, telephone number, and Medicaid or NC Health  
36 Choice identification number.
- 37 (3) A preprinted statement that indicates that the enrollee would like to appeal a  
38 the specific managed care action-adverse benefit determination identified in  
39 the notice of resolution.
- 40 (4) A statement informing the enrollee of the right to be represented at the  
41 contested case hearing by a lawyer, a relative, a friend, or other spokesperson.
- 42 (5) A space for the enrollee's signature and date.

43 (g) Continuation of Benefits. – ~~An LME/MCO A managed care entity~~ shall continue or  
44 reinstate the enrollee's benefits of a Medicaid enrollee during the pendency of an appeal to the  
45 same extent required under ~~42 C.F.R. § 438.420~~ 42 C.F.R. § 438.420, G.S. 108D-13, and  
46 G.S. 108D-14. In accordance with 42 C.F.R. § 457.1260, NC Health Choice enrollees shall not  
47 be entitled to continuation or reinstatement of benefits. Notwithstanding any other provision of  
48 State law, the administrative law judge does not have the power to order and shall not order ~~an~~  
49 ~~LME/MCO a managed care entity~~ to continue benefits in excess of what is required by ~~42 C.F.R.~~  
50 ~~§ 438.420~~ 42 C.F.R. § 438.420, except to the extent required by G.S. 108D-13(c1) and  
51 G.S. 108D-14(c1).

1 (h) Simple Procedures. – Notwithstanding any other provision of Article 3 of Chapter  
 2 150B of the General Statutes, the chief administrative law judge of OAH may limit and simplify  
 3 the administrative hearing procedures that apply to contested case hearings conducted under this  
 4 section in order to complete these cases as expeditiously as possible. Any simplified hearing  
 5 procedures approved by the chief administrative law judge under this subsection must comply  
 6 with all of the following requirements:

7 ...

8 (2) OAH shall conduct all contested case hearings telephonically or by video  
 9 technology with all parties, unless the enrollee requests that the hearing be  
 10 conducted in person before the administrative law judge. An in-person hearing  
 11 shall be conducted in the county that contains the headquarters of the  
 12 ~~LME/MCO-managed care entity~~ unless the enrollee's impairments limit travel.  
 13 For enrollees with impairments that limit travel, an in-person hearing shall be  
 14 conducted in the enrollee's county of residence. OAH shall provide written  
 15 notice to the enrollee of the use of telephonic hearings, hearings by video  
 16 conference, and in-person hearings before the administrative law judge, as  
 17 well as written instructions on how to request a hearing in the enrollee's county  
 18 of residence.

19 ...

20 (4) The administrative law judge may allow brief extensions of the time limits  
 21 imposed in this section only for good cause shown and to ensure that the  
 22 record is complete. The administrative law judge shall only grant a  
 23 continuance of a hearing in accordance with rules adopted by OAH for good  
 24 cause shown and shall not grant a continuance on the day of a hearing, except  
 25 for good cause shown. If an enrollee fails to make an appearance at a hearing  
 26 that has been properly noticed by OAH by ~~United States~~ mail, OAH shall  
 27 immediately dismiss the case, unless the enrollee moves to show good cause  
 28 by no later than three business days after the date of dismissal. As used in this  
 29 section, "good cause shown" includes delays resulting from untimely receipt  
 30 of documentation needed to render a decision and other unavoidable and  
 31 unforeseen circumstances.

32 (5) OAH shall include information on at least all of the following in its notice of  
 33 hearing to an enrollee:

- 34 a. The enrollee's right to examine at a reasonable time before and during  
 35 the hearing the contents of the enrollee's case file and any documents  
 36 to be used by the ~~LME/MCO-managed care entity~~ in the hearing before  
 37 the administrative law judge.
- 38 b. The enrollee's right to an interpreter during the hearing process.
- 39 c. The circumstances in which a medical assessment may be obtained at  
 40 the ~~LME/MCO's-managed care entity's~~ expense and made part of the  
 41 record, including all of the following:

42 ...

43 (i) Mediation. – Upon receipt of an appeal request form as provided by G.S. 108D-15(f)  
 44 or other clear request for a hearing by an enrollee, OAH shall immediately notify the Mediation  
 45 Network of North Carolina, which shall contact the enrollee within five days to offer mediation  
 46 in an attempt to resolve the dispute. If mediation is accepted, the mediation must be completed  
 47 within 25 days of submission of the request for appeal. Upon completion of the mediation, the  
 48 mediator shall inform OAH and the ~~LME/MCO-managed care entity~~ within 24 hours of the  
 49 resolution by facsimile or electronic messaging. If the parties have resolved matters in the  
 50 mediation, OAH shall dismiss the case. OAH shall not conduct a hearing of any contested case  
 51 involving a dispute of a ~~managed care action~~ an adverse benefit determination until it has

1 received notice from the mediator assigned that either (i) the mediation was unsuccessful, (ii) the  
2 petitioner has rejected the offer of mediation, or (iii) the petitioner has failed to appear at a  
3 scheduled mediation. If the enrollee accepts an offer of mediation and then fails to attend  
4 mediation without good cause, OAH shall dismiss the contested case.

5 (j) Burden of Proof. – The enrollee has the burden of proof on all issues submitted to  
6 OAH for a contested case hearing under this section and has the burden of going forward. The  
7 administrative law judge shall not make any ruling on the preponderance of evidence until the  
8 close of all evidence in the case.

9 (k) New Evidence. – The enrollee shall be permitted to submit evidence regardless of  
10 whether it was obtained before or after the ~~LME/MCO's managed care action~~ managed care  
11 entity's adverse benefit determination and regardless of whether the ~~LME/MCO~~ the managed  
12 care entity had an opportunity to consider the evidence in resolving the ~~LME/MCO managed~~  
13 care entity level appeal. Upon the receipt of new evidence and at the request of the ~~LME/MCO,~~  
14 managed care entity, the administrative law judge shall continue the hearing for a minimum of  
15 15 days and a maximum of 30 days in order to allow the ~~LME/MCO managed care entity~~ to  
16 review the evidence. Upon reviewing the evidence, if the ~~LME/MCO managed care entity~~  
17 decides to reverse the ~~managed care action taken against the enrollee, adverse benefit~~  
18 determination, it shall immediately inform the administrative law judge of its decision.

19 (l) Issue for Hearing. – For each ~~managed care action, adverse benefit determination,~~ the  
20 administrative law judge shall determine whether the ~~LME/MCO managed care entity~~  
21 substantially prejudiced the rights of the enrollee and whether the ~~LME/MCO, managed care~~  
22 entity, based upon evidence at the ~~hearing; hearing,~~ did any of the following:

- 23 (1) Exceeded its authority or jurisdiction.
- 24 (2) Acted erroneously.
- 25 (3) Failed to use proper procedure.
- 26 (4) Acted arbitrarily or capriciously.
- 27 (5) Failed to act as required by law or rule.

28 (m) To the extent that anything in this ~~Part, Chapter,~~ Chapter 150B of the General Statutes,  
29 or any rules or policies adopted under these Chapters is inconsistent with the Social Security Act  
30 or 42 C.F.R. Part 438, Subpart F, federal law prevails and applies to the extent of the ~~conflict.~~  
31 conflict, except when the applicability of federal law or rules have been waived by agreement  
32 between the State and the U.S. Department of Health and Human Services. All rules, rights, and  
33 procedures for contested case hearings concerning ~~managed care actions adverse benefit~~  
34 determinations shall be construed so as to be consistent with applicable federal law and shall  
35 provide the enrollee with ~~no lesser and no greater rights~~ that are no less than those provided under  
36 federal law.

37 **"§ 108D-16. Notice of final decision and right to seek judicial review.**

38 The administrative law judge assigned to conduct a contested case hearing under  
39 G.S. 108D-15 shall hear and decide the case without unnecessary delay. The judge shall prepare  
40 a written decision that includes findings of fact and conclusions of law and send it to the parties  
41 in accordance with G.S. 150B-37. The written decision shall notify the parties of the final  
42 decision and of the right of the enrollee and the ~~LME/MCO managed care entity~~ to seek judicial  
43 review of the decision under Article 4 of Chapter 150B of the General Statutes.

44 "Article 3.

45 "Managed Care Entity Provider Networks.

46 **"§ 108D-21. LME/MCO provider networks.**

47 Each LME/MCO operating the combined 1915(b) and (c) waivers shall maintain and utilize  
48 a closed network of providers to furnish mental health, intellectual or developmental disabilities,  
49 and substance abuse services to its enrollees.

50 **"§ 108D-22. PHP provider networks.**

1 (a) Except as provided in G.S. 108D-23, each PHP shall develop and maintain a provider  
 2 network that meets access to care requirements for its enrollees. A PHP may not exclude  
 3 providers from their networks except for failure to meet objective quality standards or refusal to  
 4 accept network rates. Notwithstanding the previous sentence, a PHP must include all providers  
 5 in its geographical coverage area that are designated essential providers by the Department in  
 6 accordance with subdivision (b) of this section, unless the Department approves an alternative  
 7 arrangement for securing the types of services offered by the essential providers.

8 (b) The Department shall designate Medicaid and NC Health Choice providers as  
 9 essential providers if, within a region defined by a reasonable access standard, the provider either  
 10 (i) offers services that are not available from any other provider in the region or (ii) provides a  
 11 substantial share of the total units of a particular service utilized by Medicaid and NC Health  
 12 Choice beneficiaries within the region during the last three years and the combined capacity of  
 13 other service providers in the region is insufficient to meet the total needs of the Medicaid and  
 14 NC Health Choice enrollees. The Department shall not classify physicians and other practitioners  
 15 as essential providers. At a minimum, providers in the following categories shall be designated  
 16 essential providers:

- 17 (1) Federally qualified health centers.
- 18 (2) Rural health centers.
- 19 (3) Free clinics.
- 20 (4) Local health departments.
- 21 (5) State Veterans Homes.

22 **"§ 108D-23. BH IDD Tailored Plan networks.**

23 Entities operating BH IDD Tailored Plans shall utilize closed provider networks only for the  
 24 provision of behavioral health, intellectual and developmental disability, and traumatic brain  
 25 injury services."

26 **SECTION 1.(b)** This section is effective October 1, 2019, and applies to (i) appeals  
 27 arising from local management entity/managed care organization (LME/MCO) notices of  
 28 adverse benefit determination mailed on or after that date and (ii) grievances received by an  
 29 LME/MCO on or after that date.

30 **SECTION 2.** G.S. 90-414.4(a1)(3) reads as rewritten:

- 31 "(3) The following entities shall submit encounter and claims data, as appropriate,  
 32 in accordance with the following time line:
- 33 a. Prepaid Health Plans, as defined in ~~S.L. 2015-245~~, G.S. 108D-1, by  
 34 the commencement date of a capitated contract with the Division of  
 35 Health Benefits for the delivery of Medicaid and NC Health Choice  
 36 services as specified in ~~S.L. 2015-245~~. Article 4 of Chapter 108D of  
 37 the General Statutes.
  - 38 b. Local management entities/managed care organizations, as defined in  
 39 G.S. 122C-3, by June 1, 2020."

40 **SECTION 3.** G.S. 108A-24 reads as rewritten:

41 **"§ 108A-24. Definitions.**

42 As used in Chapter 108A:

- 43 ...
- 44 (3d) "Federal TANF funds" means the Temporary Assistance for Needy Families  
 45 block grant funds provided for in Title IV-A of the Social Security Act.
  - 46 (3e) "Fee-for-service program" means a payment model for the Medicaid and NC  
 47 Health Choice programs operated by the Department of Health and Human  
 48 Services pursuant to its authority under Part 6 and Part 8 of Article 2 of  
 49 Chapter 108A of the General Statutes in which the Department pays enrolled  
 50 providers for services provided to Medicaid and NC Health Choice recipients

1            rather than contracting for the coverage of services through a capitated  
 2            payment arrangement.

3            (3e) ~~"FICA" means the taxes imposed by the Federal Insurance Contribution Act,~~  
 4            ~~26 U.S.C. § 3101, et seq.~~

5            (3f) Repealed by Session Laws 2009-489, s. 1, effective August 26, 2009.

6            (3g) "FICA" means the taxes imposed by the Federal Insurance Contribution Act,  
 7            26 U.S.C. § 3101, et seq.

8            (3g)(3h) "Full-time employment" means employment which requires the employee  
 9            to work a regular schedule of hours per day and days per week established as  
 10            the standard full-time workweek by the employer, but not less than an average  
 11            of 30 hours per week.

12            (4) Repealed by Session Laws 1983, c. 14, s. 3.

13            ...

14            (4b) "Parent" means biological parent or adoptive parent, and for Work First  
 15            purposes, includes a stepparent.

16            (4c) "Prepaid Health Plan" or "PHP" has the same meaning as in G.S. 108D-1.

17            (5) "Recipient" is a person to whom, or on whose behalf, assistance is granted  
 18            under this Article.

19            ...."

20            **SECTION 4.** G.S. 108A-56 reads as rewritten:

21            "**§ 108A-56. Acceptance of federal grants.**

22            All of the provisions of the federal Social Security Act providing grants to the states for  
 23            medical assistance are accepted and adopted, and the provisions of this Part shall be liberally  
 24            construed ~~in relation to such act so that the intent to comply with it shall be made effectual. to~~  
 25            effectuate compliance with the act, except to the extent the applicability of federal law or rules  
 26            have been waived by agreement between the State and the U.S. Department of Health and Human  
 27            Services. Nothing in this Part or the regulations made under its authority shall be construed to  
 28            deprive a recipient of assistance of the right to choose the licensed provider of the care or service  
 29            made available under this Part within the provisions of the federal Social Security Act, ~~Act, or~~  
 30            valid waiver agreement. This section shall not be construed to prohibit a PHP from (i) requiring  
 31            its enrollees to obtain services from providers that are under contract with the PHP or (ii)  
 32            imposing utilization management criteria to a request for services, to the extent these actions are  
 33            not otherwise prohibited by State or federal law or regulation, or by the Department."

34            **SECTION 5.** G.S. 108A-70 reads as rewritten:

35            "**§ 108A-70. Recoupment of amounts spent on medical care.**

36            (a) ~~The~~ To the extent necessary to reimburse the Department or a PHP for expenditures  
 37            for costs under this Part, and provided that claims for current and past due child support shall  
 38            take priority over claims for those expenditures, the Department may garnish the wages, salary,  
 39            or other employment income of, and the Secretary of Revenue shall withhold amounts from State  
 40            tax refunds to, any person who meets all of the following criteria:

41            (1) Is required by court or administrative order to provide health benefit plan  
 42            coverage for the cost of health care services to a child eligible for medical  
 43            assistance under ~~Medicaid; and Medicaid.~~

44            (2) Has received payment from a third party for the costs of such ~~services;~~  
 45            ~~but services.~~

46            (3) Has not used such payments to reimburse, as appropriate, either the other  
 47            parent or guardian of the child or the provider of the ~~services; services.~~

48            ~~to the extent necessary to reimburse the Department for expenditures for such costs under this~~  
 49            ~~Part; provided, however, claims for current and past due child support shall take priority over~~  
 50            ~~any such claims for the costs of such services.~~

51            ...."

1 SECTION 6. Part 6A of Article 2 of Chapter 108A of the General Statutes reads as  
2 rewritten:

3 "~~Part 6A. Medicaid Recipient Appeals Process.~~Appeals Process for Certain Medicaid and NC  
4 Health Choice Determinations.

5 "**§ 108A-70.9A. Appeals by Medicaid recipients.****Definitions; Medicaid recipient appeals.**

6 (a) Definitions. – The following definitions apply in this Part, unless the context clearly  
7 requires otherwise.

8 (1) Adverse disenrollment decision. – As defined in G.S. 108D-1.

9 ~~(1)(2)~~ Adverse determination. – A determination by the Department to deny,  
10 terminate, suspend, or reduce a Medicaid service or an authorization for a  
11 Medicaid ~~service.~~service through the fee-for-service program. An adverse  
12 benefit determination as defined in G.S. 108D-1 is not an adverse  
13 determination for purposes of this Part.

14 (3) Contested Medicaid case. – A case commenced by (i) a Medicaid recipient  
15 appealing an adverse determination under this Part or (ii) a Medicaid or a NC  
16 Health Choice recipient appealing an adverse disenrollment determination  
17 under G.S. 108D-5.5.

18 ~~(2)(4)~~ OAH. – The Office of Administrative Hearings.

19 ~~(3)(5)~~ Recipient. – A recipient and the recipient's parent, guardian, or legal  
20 representative, unless otherwise specified.

21 (b) ~~General Rule.~~Medicaid recipient appeals. – Notwithstanding any provision of State  
22 law or rules to the contrary, this section shall govern the process used by a Medicaid recipient to  
23 appeal an adverse determination made by the ~~Department.~~Department and the process used by a  
24 Medicaid or NC Health Choice recipient to appeal an adverse disenrollment determination by the  
25 Department.

26 ...

27 "**§ 108A-70.9B. Contested Medicaid cases.**

28 (a) Application. – This section applies only to contested Medicaid cases ~~commenced by~~  
29 ~~Medicaid recipients under G.S. 108A-70.9A.~~as defined in this Part. Except as otherwise  
30 provided by ~~G.S. 108A-70.9A~~Article 1A of Chapter 108D of the General Statutes,  
31 G.S. 108A-70.9A, and this section governing time lines and procedural steps, a contested  
32 Medicaid case commenced by a Medicaid or NC Health Choice recipient is subject to the  
33 provisions of Article 3 of Chapter 150B of the General Statutes. To the extent any provision in  
34 this ~~section~~section, Article 1A of Chapter 108D of the General Statutes, or G.S. 108A-70.9A  
35 conflicts with another provision in Article 3 of Chapter 150B of the General Statutes, this ~~section~~  
36 section, Article 1A of Chapter 108D of the General Statutes, and G.S. 108A-70.9A control.

37 (b) Simple Procedures. – Notwithstanding any other provision of Article 3 of Chapter  
38 150B of the General Statutes, the chief administrative law judge may limit and simplify the  
39 procedures that apply to a contested Medicaid case involving a Medicaid or NC Health Choice  
40 recipient in order to complete the case as quickly as possible.

41 ...

42 (3) The simplified procedure may include requiring that all prehearing motions  
43 be considered and ruled on by the administrative law judge in the course of  
44 the hearing of the case on the merits. An administrative law judge assigned to  
45 a contested Medicaid case shall make reasonable efforts in a case involving a  
46 Medicaid or NC Health Choice recipient who is not represented by an attorney  
47 to assure a fair hearing and to maintain a complete record of the hearing.

48 ...

49 (c) Mediation. – Upon receipt of an appeal request form as provided by  
50 G.S. 108A-70.9A(e) or other clear request for a hearing by a Medicaid or NC Health Choice  
51 recipient, OAH shall immediately notify the Mediation Network of North Carolina, which shall

1 contact the recipient within five days to offer mediation in an attempt to resolve the dispute. If  
 2 mediation is accepted, the mediation must be completed within 25 days of submission of the  
 3 request for appeal. Upon completion of the mediation, the mediator shall inform OAH and the  
 4 Department within 24 hours of the resolution by facsimile or electronic messaging. If the parties  
 5 have resolved matters in the mediation, OAH shall dismiss the case. OAH shall not conduct a  
 6 hearing of any contested Medicaid case until it has received notice from the mediator assigned  
 7 that either: (i) the mediation was unsuccessful, or (ii) the petitioner has rejected the offer of  
 8 mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. If the recipient  
 9 accepts an offer of mediation and then fails to attend mediation without good cause, OAH shall  
 10 dismiss the contested case.

11 (d) Burden of Proof. – The recipient has the burden of proof on all issues submitted in a  
 12 contested Medicaid case to OAH ~~for a Medicaid contested case hearing~~ and has the burden of  
 13 going forward. The administrative law judge shall not make any ruling on the preponderance of  
 14 evidence until the close of all evidence.

15 ...

16 (f) Issue for Hearing. – For each adverse determination and each adverse disenrollment  
 17 determination, the hearing shall determine whether the Department substantially prejudiced the  
 18 rights of the recipient and if the Department, based upon evidence at the ~~hearing~~ hearing, did any  
 19 of the following:

- 20 (1) Exceeded its authority or jurisdiction.
- 21 (2) Acted erroneously.
- 22 (3) Failed to use proper procedure.
- 23 (4) Acted arbitrarily or capriciously.
- 24 (5) Failed to act as required by law or rule.

25 ...

26 **"§ 108A-70.9C. Informal review permitted.**

27 Nothing in this Part shall prevent the Department from engaging in an informal review of a  
 28 contested Medicaid case with a recipient prior to issuing a notice of adverse determination ~~as~~  
 29 ~~provided by G.S. 108A-70.9A(e)~~ under G.S. 108A-70.9A(c) or a notice of resolution under  
 30 G.S. 108D-5.4."

31 **SECTION 7.** G.S. 108A-70.29 reads as rewritten:

32 **"§ 108A-70.29. Program review process.**

33 (a) Review of Eligibility and Program Enrollment Decisions. – Eligibility and Program  
 34 enrollment decisions for Program applicants or recipients shall be reviewable pursuant to  
 35 G.S. 108A-79. Program recipients shall remain enrolled in the NC Health Choice Program during  
 36 the review of a decision to terminate or suspend enrollment. This subsection does not apply to  
 37 requests for disenrollment from a PHP under Article 1A of Chapter 108D of the General Statutes.

38 (b) Review of Fee-for-Service Program Health Services Decisions. – This subsection  
 39 applies only to health services decisions for services being provided to NC Health Choice  
 40 recipients through the fee-for-service program as defined in G.S. 108A-24. This subsection does  
 41 not apply to adverse benefit determinations as defined in G.S. 108D-1. In accordance with  
 42 C.F.R. § 457.1130 and 42 C.F.R. § 457.1150, a Program recipient may seek review of any delay,  
 43 denial, reduction, suspension, or termination of health services, in whole or in part, including a  
 44 determination about the type or level of services, through a two-level review process.

45 ...."

46 **SECTION 8.** G.S. 122C-3 reads as rewritten:

47 **"§ 122C-3. Definitions.**

48 The following definitions apply in this Chapter:

49 ...

- 50 (2a) "Area director" means the administrative head of the area authority program  
 51 appointed pursuant to G.S. 122C-121.

- 1 (2b) "Behavioral Health and Individuals with Developmental Disabilities Tailored  
 2 Plan or BH IDD Tailored Plan" has the same meaning as in G.S. 108D-1.  
 3 (2c) "Board of county commissioners" includes the participating boards of county  
 4 commissioners for multicounty area authorities and multicounty programs.  
 5 ...  
 6 (20c) "Local management entity/managed care organization" or "LME/MCO"  
 7 means a local management entity that is under contract with the Department  
 8 to operate the combined Medicaid Waiver program authorized under Section  
 9 1915(b) and Section 1915(c) of the Social Security Act ~~Act~~ or to operate a BH  
 10 IDD Tailored Plan.

11 ...."

12 **SECTION 9.** G.S. 150B-1 reads as rewritten:

13 **"§ 150B-1. Policy and scope.**

14 ...

15 (e) Exemptions From Contested Case Provisions. – The contested case provisions of this  
 16 Chapter apply to all agencies and all proceedings not expressly exempted from the Chapter. The  
 17 contested case provisions of this Chapter do not apply to the following:

18 ...

19 (17) The Department of Health and Human Services with respect to the review of  
 20 North Carolina Health Choice Program determinations regarding delay,  
 21 denial, reduction, suspension, or termination of health services, in whole or in  
 22 part, including a determination about the type or level of ~~services~~ services,  
 23 commenced under G.S. 108A-70.29(b).

24 ...

25 (25) The Department of Health and Human Services with respect to disputes  
 26 involving the performance, terms, or conditions of a contract between the  
 27 Department and a Prepaid Health Plan, as defined in G.S. 108D-1.

28 ...."

29 **SECTION 10.** G.S. 150B-23 reads as rewritten:

30 **"§ 150B-23. Commencement; assignment of administrative law judge; hearing required;**  
 31 **notice; intervention.**

32 ...

33 (a3) A Medicaid or NC Health Choice enrollee, or ~~network provider authorized in writing~~  
 34 ~~to act on behalf of the enrollee,~~ the enrollee's authorized representative, who appeals a notice of  
 35 resolution issued by ~~an LME/MCO a managed care entity~~ under Chapter 108D of the General  
 36 Statutes may commence a contested case under this Article in the same manner as any other  
 37 petitioner. The case shall be conducted in the same manner as other contested cases initiated by  
 38 Medicaid or NC Health Choice enrollees under this Article. Solely and only for the purposes of  
 39 contested cases commenced as ~~Medicaid managed care enrollee appeals under Chapter 108D of~~  
 40 ~~the General Statutes,~~ pursuant to G.S. 108D-15 by enrollees of LME/MCOs to appeal a notice of  
 41 resolution issued by the LME/MCO, an LME/MCO is considered an agency as defined in  
 42 G.S. 150B-2(1a). The LME/MCO shall not be considered an agency for any other purpose. When  
 43 a prepaid health plan, as defined in G.S. 108D-1, other than an LME/MCO, is under contract  
 44 with the Department of Health and Human Services to issue notices of resolution under Article  
 45 2 of Chapter 108D of the General Statutes, then solely and only for the purposes of contested  
 46 cases commenced pursuant to G.S. 108D-15 to appeal a notice of resolution issued by the prepaid  
 47 health plan, the prepaid health plan shall be considered an agency as defined in G.S. 150B-2(1a).  
 48 The prepaid health plan shall not be considered an agency for any other purpose.

49 ...."



1           **SECTION 11.** Section 4 of S.L. 2015-245, as amended by Section 2(b) of S.L.  
2 2016-121, Section 11H.17(a) of S.L. 2017-57, Section 4 of S.L. 2017-186, Section 11H.10(d) of  
3 S.L. 2018-5, and Sections 5 and 6 of S.L. 2018-48, reads as rewritten:

4           **"SECTION 4.** Structure of Delivery System. – The transformed Medicaid and NC Health  
5 Choice programs described in Section 1 of this act shall be organized according to the following  
6 principles and parameters:

7           ...

8           (4) Services covered by PHPs. – Capitated PHP contracts shall cover all Medicaid  
9 and NC Health Choice services, including physical health services,  
10 prescription drugs, long-term services and supports, and behavioral health  
11 services for NC Health Choice recipients, except as otherwise provided in this  
12 subdivision. The capitated contracts required by this subdivision shall not  
13 cover:

14           a. Medicaid services ~~currently~~ covered by the local management  
15 entities/managed care organizations (LME/MCOs) under the  
16 combined 1915(b) and (c) waivers shall not be covered under any  
17 capitated PHP contract other than a BH IDD Tailored Plan, except that  
18 all capitated PHP contracts shall cover the following services:  
19 inpatient behavioral health services, outpatient behavioral health  
20 emergency room services, outpatient behavioral health services  
21 provided by direct-enrolled providers, mobile crisis management  
22 services, facility-based crisis services for children and adolescents,  
23 professional treatment services in a facility-based crisis program,  
24 outpatient opioid treatment services, ambulatory detoxification  
25 services, nonhospital medical detoxification services, partial  
26 hospitalization, medically supervised or alcohol and drug abuse  
27 treatment center detoxification crisis stabilization, research-based  
28 intensive behavioral health treatment, diagnostic assessment services,  
29 and Early and Periodic Screening, Diagnosis, and Treatment services.  
30 In accordance with this sub-subdivision, 1915(b)(3) services shall not  
31 be covered under any capitated PHP contract other than a BH IDD  
32 Tailored Plan.

33           ...

34           (5) Populations covered by PHPs. – Capitated PHP contracts shall cover all  
35 Medicaid and NC Health Choice program aid categories except for the  
36 following categories:

37           ...

38           m. Recipients in the following categories shall not be covered by PHPs  
39 for a period of time to be determined by DHHS that shall not exceed  
40 five years after the date that capitated PHP contracts begin:

41           1. Recipients who (i) reside in a nursing facility and have so  
42 resided, or are likely to reside, for a period of 90 days or longer  
43 and (ii) are not being served through the Community  
44 Alternatives Program for Disabled Adults (CAP/DA). During  
45 the period of exclusion from PHP coverage for this population  
46 as determined by DHHS in accordance with this  
47 sub-subdivision, if an individual enrolled in a PHP resides in a  
48 nursing facility for 90 days or more, then that individual shall  
49 be excluded from PHP coverage on the first day of the month  
50 following the ninetieth day of the stay in the nursing facility  
51 and shall be disenrolled from the PHP.

2. Recipients who are enrolled in both Medicare and Medicaid and for whom Medicaid coverage is not limited to the coverage of Medicare premiums and cost sharing. This sub-sub-subdivision shall not include recipients being served through the Community Alternatives Program for Disabled Adults (CAP/DA).

3. Recipients who are (i) enrolled in the foster care system, (ii) receiving Title IV-E adoption assistance, (iii) under the age of 26 and formerly were in the foster care system, or (iv) under the age of 26 and formerly received adoption assistance.

...

(9) LME/MCOs. – Beginning on the date that capitated contracts begin, LME/MCOs shall cease managing Medicaid services for all Medicaid recipients other than recipients described in sub-subdivisions a., d., e., f., g., j., k., ~~and l., and m.~~ of subdivision (5) of this section. Until BH IDD Tailored Plans become operational, all of the following shall occur:

- a. LME/MCOs shall continue to manage the Medicaid services that are currently covered by the LME/MCOs for Medicaid recipients described in sub-subdivisions a., d., e., f., g., j., k., ~~and l., and m.~~ of subdivision (5) of this section.
- b. The Division of Health Benefits shall negotiate actuarially sound capitation rates directly with the LME/MCOs based on the change in composition of the population being served by the LME/MCOs.
- c. Capitation payments under contracts between the Division of Health Benefits and the LME/MCOs shall be made directly to the LME/MCO by the Division of Health Benefits.

...."

**SECTION 12.** Section 5 of S.L. 2015-245, as amended by Section 2(c) of S.L. 2016-121 and Section 6(b) of S.L. 2018-49, reads as rewritten:

**"SECTION 5.** Role of DHHS. – The role and responsibility of DHHS during Medicaid transformation shall include the following activities and functions:

...

(6) Enter into capitated PHP contracts for the delivery of the Medicaid and NC Health Choice services described in subdivision (4) of Section 4 of this act. All contracts shall be the result of requests for proposals (RFPs) issued by DHHS and the submission of competitive bids by PHPs. DHHS shall develop standardized contract terms, to include at a minimum, the following:

...

c. A minimum medical loss ratio of eighty-eight percent (88%) for health care services, with the components of the numerator and denominator to be defined by DHHS. The minimum medical loss ratio shall be neither higher nor lower than eighty-eight percent (88%). DHHS shall not require community reinvestment as a result of a PHP's failure to comply with any minimum medical loss ratio.

...."

**SECTION 13.(a)** The Revisor of Statutes shall codify the portions of S.L. 2015-245, as amended, specified in this section. These specified portions of S.L. 2015-245, as amended, shall be codified into a new Article 4 of Chapter 108D of the General Statutes to be entitled "Prepaid Health Plans." The new Article 4 of Chapter 108D of the General Statutes shall have the following structure:

(1) Section 1 of S.L. 2015-245 shall be codified as G.S. 108D-30.

- 1 (2) Subdivision (4) of Section 4 of S.L. 2015-245, as amended by Section 2(b) of  
2 S.L. 2016-121, Section 11H.17 of S.L. 2017-57, Section 4 of S.L. 2017-186,  
3 Section 1 of S.L. 2018-48, and Section 11 of this act, shall be codified as  
4 G.S. 108D-35.
- 5 (3) Subdivision (5) of Section 4 of S.L. 2015-245, as amended by Section 2(b) of  
6 S.L. 2016-121, Section 1 of S.L. 2018-48, Section 5 of S.L. 2018-49, and  
7 Section 11 of this act, shall be codified as G.S. 108D-40.
- 8 (4) Subdivision (5a) of Section 4 of S.L. 2015-245, as enacted by Section 5(c) of  
9 S.L. 2018-49, shall be codified as G.S. 108D-40.
- 10 (5) Subdivision (6) of Section 4 of S.L. 2015-245, as amended by Section 2(b) of  
11 S.L. 2016-121 and Section 1 of S.L. 2018-48, shall be codified as  
12 G.S. 108D-45.
- 13 (6) Subdivision (7) of Section 4 of S.L. 2015-245 shall be codified as  
14 G.S. 108D-50.
- 15 (7) Subdivision (8) of Section 4 of S.L. 2015-245 shall be codified as  
16 G.S. 108D-55.
- 17 (8) Subdivision (9) of Section 4 of S.L. 2015-245, as amended by Section 1 of  
18 S.L. 2018-48 and Section 11 of this act, shall be codified as G.S. 122C-115(e),  
19 except that the tag line shall not be codified.
- 20 (9) Subdivision (10) of Section 4 of S.L. 2015-245, as amended by Section 1 of  
21 S.L. 2018-48, shall be codified as G.S. 108D-60, except that the following  
22 shall not be codified:
- 23 a. The first and third sentences of the subdivision (10).  
24 b. The language in sub-subdivision a. appearing before  
25 sub-sub-subdivision 1.  
26 c. Sub-sub-subdivision 6. of sub-subdivision a. of subdivision (10).  
27 d. Sub-subdivisions b., c., and d. of subdivision (10).
- 28 (10) Section 5 of S.L. 2015-245, as amended by Section 2(c) S.L. 2016-121,  
29 Section 6(b) of S.L. 2018-49, and Section 12 of this act, shall be codified as  
30 G.S. 108D-65, except that the following shall not be codified:
- 31 a. Sub-subdivision d. of subdivision (6) of Section 5.  
32 b. Subdivisions (10), (11), (12), and (13) of Section 5.
- 33 (11) Section 7A of S.L. 2015-245, as enacted by Section 7 of S.L. 2018-49, shall  
34 be codified as G.S. 108D-70.

35 **SECTION 13.(b)** In codifying the portions of S.L. 2015-245, as amended, that are  
36 specified in subsection (a) of this Section, the Revisor of Statutes is authorized to do all of the  
37 following:

- 38 (1) Make codification-related substitutions for statutory citations and internal  
39 cross-references that appear throughout the session law as needed, including  
40 references to an act, section, subdivision, or other elements of the session law.
- 41 (2) Make codification-related substitutions for acronyms or abbreviations that  
42 appear throughout the session law as needed and for clarity.
- 43 (3) Revise references to subdivision (3) of Section 4 of the session law to instead  
44 reference the codified location of the language in subdivision (3) of Section 5  
45 of the session law.
- 46 (4) Insert a cross-reference to the new Article 4 of Chapter 108D after the  
47 reference to capitated contracts in subdivision (9) of Section 4 of the session  
48 law.

49 **SECTION 14.(a)** The Revisor of Statutes is authorized to replace references to the  
50 Division of Medical Assistance, and any derivatives thereof, in the General Statutes with

1 references to the Division of Health Benefits, except that references to the Division of Medical  
2 Assistance shall not be changed in G.S. 108A-54, 126-5(c)(34), 143B-138.1, and 143B-216.80.  
3 **SECTION 14.(b)** The changes authorized by subsection (a) of this section shall be  
4 effective July 1, 2019.  
5 **SECTION 15.** Except as otherwise provided, this act is effective October 1, 2019.